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FISCAL IMPACT STATEMENT

LS 6572

BILL NUMBER: HB 1141

NOTE PREPARED: Jan 2, 2012

BILL AMENDED:

SUBJECT: Home Energy Assistance.

FIRST AUTHOR: Rep. Welch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill establishes the Connection Assistance Fund to pay utility deposits and connection fees charged to households eligible to acquire home energy through the low income home energy assistance program (LIHEAP). It restores the Sales Tax exemption that expired in 2009 for home energy acquired through LIHEAP. It also requires the Treasurer of State to transfer money attributable to a utility deposit or refund that remains unclaimed after 25 years to the Connection Assistance Fund. It also makes appropriations.

Effective Date: Upon passage.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the sales tax exemption proposed in the bill. The DOR's current level of resources should be sufficient.

Indiana Housing and Communication Development Authority (IHCDA): This bill establishes the Connection Assistance Fund and requires the IHCDA to administer the fund. The IHCDA's current level of resources is sufficient.

Explanation of State Revenues: *Summary* - This bill restores the Sales Tax exemption that expired in 2009 for home energy acquired through LIHEAP. It should be noted that the extent of the reduction in revenue will depend in large part on the federal appropriations for LIHEAP. For FFY 2012 federal appropriations for LIHEAP total \$82.3 M, down from \$107.6 M in FFY 2011. This bill is effective upon passage and could reduce sales tax revenue by \$850,000 in FY 2012 and \$5.1 M in FY 2013. This estimate is based on an average of historical LIHEAP benefits.

The sales tax exemption applies to sales of home energy involving:

(1) energy which is in the form of electricity, oil, gas, coal, propane, or any other fuel for use as the principal source of heating or cooling in residential dwellings; and

(2) a person who is acquiring the energy through a program administered by the state to supply home energy through the Low-Income Home Energy Assistance Block Grant (LIHEAP) under 42 U.S.C 8621 et seq.

In FY 2010, approximately 197,809 households received an average benefit of \$420. A history of the amount of benefits paid out over the last five years is included in the *Background* section below.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Connection Assistance Fund: This bill establishes the Connection Assistance Fund to pay utility deposits and connection fees charged to households eligible to acquire home energy through LIHEAP. The fund is made up of utility deposits or refunds that remain unclaimed after 25 years. There are no data available to determine how much could get deposited in the fund from unclaimed utility deposits and refunds. The fund is also made up of any appropriations from the General Assembly, gifts and donations and investment income earned on the fund's assets.

Background Information - Funding for the state's energy assistance program comes from federal sources and dedicated state funds. Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program (EAP) and the Weatherization Assistance Program (WAP). The program is primarily funded through the federal LIHEAP block grant. The state's energy assistance program provides grants for winter heating assistance and summer cooling assistance.

Indiana's program currently provides assistance to persons below 150% of the federal poverty level. A summary of benefits distributed are as follows:

Fiscal Year	Benefits (in millions)
2011*	\$80.96
2010	\$87.79
2009	\$86.69
2008	\$93.00
2007	\$57.64
*Please note that the benefit amount for FY 2011 is an estimate.	

Explanation of Local Expenditures: Local revenues will be impacted to the extent that a local unit receives funds from the Commuter Rail Service Fund or the Industrial Rail Service Fund.

Explanation of Local Revenues:

State Agencies Affected: DOR; IHCDA.

Local Agencies Affected:

Information Sources: Mark Wuellner, Indiana Housing & Community Development Authority; www.liheap.org; David Miller, Attorney General's Office, 317-234-2219; U.S Department of Health and Human Services, http://www.acf.hhs.gov/news/press/2011/liheap_allocation.html

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